

House File 931 - Introduced

HOUSE FILE _____
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HF 905)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to state and local budgets and taxes by
2 authorizing a commercial property tax credit for individual
3 and corporate income tax, reducing the assessment limitation
4 for commercial and industrial property, establishing a
5 legislative property tax study committee, and including
6 effective and retroactive applicability date provisions.
7 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
8 TLSB 2704HV 82
9 sc/es/88

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1 1 DIVISION I
1 2 COMMERCIAL PROPERTY TAX CREDIT
1 3 Section 1. NEW SECTION. 422.11T COMMERCIAL PROPERTY TAX
1 4 CREDIT.
1 5 1. The taxes imposed under this division, less the credits
1 6 allowed under sections 422.12 and 422.12B, shall be reduced by
1 7 a commercial property tax credit. To qualify for this credit,
1 8 the taxpayer shall have paid property tax during the tax year
1 9 levied on property that is assessed as improved commercial
1 10 property for property tax purposes, and the assessed value of
1 11 such improved commercial property owned by the taxpayer does
1 12 not exceed, in the aggregate statewide, three hundred thousand
1 13 dollars.
1 14 For purposes of this section, "improved commercial
1 15 property" means land containing one or more structures that
1 16 are being put to productive use.
1 17 2. The total amount of tax credit that may be claimed by a
1 18 taxpayer equals three hundred twenty dollars.
1 19 3. The amount of the tax credit claimed under this section
1 20 shall not be deducted in computing the taxpayer's taxable
1 21 income for state income tax purposes.
1 22 4. Any credit in excess of the tax liability shall be
1 23 refunded with interest computed under section 422.25. In lieu
1 24 of claiming a refund, a taxpayer may elect to have the
1 25 overpayment shown on the taxpayer's final, completed return
1 26 credited to the tax liability for the following tax year.
1 27 5. An individual may claim the tax credit allowed a
1 28 partnership, limited liability company, S corporation, estate,
1 29 or trust electing to have the income taxed directly to the
1 30 individual. The amount claimed by the individual shall be
1 31 based upon the pro rata share of the individual's earnings of
1 32 the partnership, limited liability company, S corporation,
1 33 estate, or trust.
1 34 6. This section is repealed January 1, 2012, for the tax
1 35 years beginning on or after that date.
2 1 Sec. 2. Section 422.33, Code 2007, is amended by adding
2 2 the following new subsection:
2 3 NEW SUBSECTION. 24. a. The taxes imposed under this
2 4 division shall be reduced by a commercial property tax credit.
2 5 To qualify for this credit, the taxpayer shall have paid
2 6 property tax during the tax year levied on property that is
2 7 assessed as improved commercial property for property tax
2 8 purposes, and the assessed value of such improved commercial
2 9 property owned by the taxpayer does not exceed, in the
2 10 aggregate statewide, three hundred thousand dollars.
2 11 For purposes of this subsection, "improved commercial
2 12 property" means land containing one or more structures that
2 13 are being put to productive use.
2 14 b. The total amount of credit that may be claimed by a

2 15 taxpayer equals three hundred twenty dollars. For
2 16 corporations that file a consolidated Iowa return in
2 17 accordance with section 422.37, each corporation filing on the
2 18 consolidated return that paid commercial property tax during
2 19 the tax year may claim the maximum tax credit.

2 20 c. The amount of the tax credit claimed under this
2 21 subsection shall not be deducted in computing the taxpayer's
2 22 taxable income for state income tax purposes. For
2 23 corporations that file a consolidated Iowa return in
2 24 accordance with section 422.37, each corporation filing on the
2 25 consolidated return that claimed the credit shall not deduct
2 26 the amount of the tax credit claimed by it for state income
2 27 tax purposes.

2 28 d. Any credit in excess of the tax liability shall be
2 29 refunded with interest computed under section 422.25. In lieu
2 30 of claiming a refund, a taxpayer may elect to have the
2 31 overpayment shown on the taxpayer's final, completed return
2 32 credited to the tax liability for the following tax year.

2 33 e. This subsection is repealed January 1, 2012, for tax
2 34 years beginning on or after that date.

2 35 Sec. 3. EFFECTIVE AND RETROACTIVE APPLICABILITY DATES.

3 1 This division of this Act, being deemed of immediate
3 2 importance, takes effect upon enactment and applies
3 3 retroactively to January 1, 2007, for tax years beginning on
3 4 or after that date.

3 5 DIVISION II

3 6 ASSESSMENT OF PROPERTY

3 7 Sec. 4. Section 441.21, subsection 5, Code 2007, is
3 8 amended to read as follows:

3 9 5. For valuations established as of January 1, 1979,
3 10 commercial property and industrial property, excluding
3 11 properties referred to in section 427A.1, subsection 8, shall
3 12 be assessed as a percentage of the actual value of each class
3 13 of property. The percentage shall be determined for each
3 14 class of property by the director of revenue for the state in
3 15 accordance with the provisions of this section. For
3 16 valuations established as of January 1, 1979, the percentage
3 17 shall be the quotient of the dividend and divisor as defined
3 18 in this section. The dividend for each class of property
3 19 shall be the total actual valuation for each class of property
3 20 established for 1978, plus six percent of the amount so
3 21 determined. The divisor for each class of property shall be
3 22 the valuation for each class of property established for 1978,
3 23 as reported by the assessors on the abstracts of assessment
3 24 for 1978, plus the amount of value added to the total actual
3 25 value by the revaluation of existing properties in 1979 as
3 26 equalized by the director of revenue pursuant to section
3 27 441.49. For valuations established as of January 1, 1979,
3 28 property valued by the department of revenue pursuant to
3 29 chapters 428, 433, 437, and 438 shall be considered as one
3 30 class of property and shall be assessed as a percentage of its
3 31 actual value. The percentage shall be determined by the
3 32 director of revenue in accordance with the provisions of this
3 33 section. For valuations established as of January 1, 1979,
3 34 the percentage shall be the quotient of the dividend and
3 35 divisor as defined in this section. The dividend shall be the
4 1 total actual valuation established for 1978 by the department
4 2 of revenue, plus ten percent of the amount so determined. The
4 3 divisor for property valued by the department of revenue
4 4 pursuant to chapters 428, 433, 437, and 438 shall be the
4 5 valuation established for 1978, plus the amount of value added
4 6 to the total actual value by the revaluation of the property
4 7 by the department of revenue as of January 1, 1979. For
4 8 valuations established as of January 1, 1980, commercial
4 9 property and industrial property, excluding properties
4 10 referred to in section 427A.1, subsection 8, shall be assessed
4 11 at a percentage of the actual value of each class of property.
4 12 The percentage shall be determined for each class of property
4 13 by the director of revenue for the state in accordance with
4 14 the provisions of this section. For valuations established as
4 15 of January 1, 1980, the percentage shall be the quotient of
4 16 the dividend and divisor as defined in this section. The
4 17 dividend for each class of property shall be the dividend as
4 18 determined for each class of property for valuations
4 19 established as of January 1, 1979, adjusted by the product
4 20 obtained by multiplying the percentage determined for that
4 21 year by the amount of any additions or deletions to actual
4 22 value, excluding those resulting from the revaluation of
4 23 existing properties, as reported by the assessors on the
4 24 abstracts of assessment for 1979, plus four percent of the
4 25 amount so determined. The divisor for each class of property

4 26 shall be the total actual value of all such property in 1979,
4 27 as equalized by the director of revenue pursuant to section
4 28 441.49, plus the amount of value added to the total actual
4 29 value by the revaluation of existing properties in 1980. The
4 30 director shall utilize information reported on the abstracts
4 31 of assessment submitted pursuant to section 441.45 in
4 32 determining such percentage. For valuations established as of
4 33 January 1, 1980, property valued by the department of revenue
4 34 pursuant to chapters 428, 433, 437, and 438 shall be assessed
4 35 at a percentage of its actual value. The percentage shall be
5 1 determined by the director of revenue in accordance with the
5 2 provisions of this section. For valuations established as of
5 3 January 1, 1980, the percentage shall be the quotient of the
5 4 dividend and divisor as defined in this section. The dividend
5 5 shall be the total actual valuation established for 1979 by
5 6 the department of revenue, plus eight percent of the amount so
5 7 determined. The divisor for property valued by the department
5 8 of revenue pursuant to chapters 428, 433, 437, and 438 shall
5 9 be the valuation established for 1979, plus the amount of
5 10 value added to the total actual value by the revaluation of
5 11 the property by the department of revenue as of January 1,
5 12 1980. For valuations established as of January 1, 1981, and
5 13 each year thereafter, the percentage of actual value as
5 14 equalized by the director of revenue as provided in section
5 15 441.49 at which commercial property and industrial property,
5 16 excluding properties referred to in section 427A.1, subsection
5 17 8, shall be assessed shall be calculated in accordance with
5 18 the methods provided herein, except that any references to six
5 19 percent in this subsection shall be four percent. For
5 20 valuations established as of January 1, 2008, the percentage
5 21 of actual value as equalized by the director of revenue as
5 22 provided in section 441.49 at which commercial property and
5 23 industrial property, excluding properties referred to in
5 24 section 427A.1, subsection 8, shall be assessed shall be
5 25 calculated in accordance with the methods provided herein,
5 26 except that any references to six percent in this subsection
5 27 shall be three percent. For valuations established as of
5 28 January 1, 2009, the percentage of actual value as equalized
5 29 by the director of revenue as provided in section 441.49 at
5 30 which commercial property and industrial property, excluding
5 31 properties referred to in section 427A.1, subsection 8, shall
5 32 be assessed shall be calculated in accordance with the methods
5 33 provided herein, except that any references to six percent in
5 34 this subsection shall be two percent. For valuations
5 35 established as of January 1, 2010, and each year thereafter,
6 1 the percentage of actual value as equalized by the director of
6 2 revenue as provided in section 441.49 at which commercial
6 3 property and industrial property, excluding properties
6 4 referred to in section 427A.1, subsection 8, shall be assessed
6 5 shall be calculated in accordance with the methods provided
6 6 herein, except that any references to six percent in this
6 7 subsection shall be one percent. For valuations established
6 8 as of January 1, 1981, and each year thereafter, the
6 9 percentage of actual value at which property valued by the
6 10 department of revenue pursuant to chapters 428, 433, 437, and
6 11 438 shall be assessed shall be calculated in accordance with
6 12 the methods provided herein, except that any references to ten
6 13 percent in this subsection shall be eight percent. Beginning
6 14 with valuations established as of January 1, 1979, and each
6 15 year thereafter, property valued by the department of revenue
6 16 pursuant to chapter 434 shall also be assessed at a percentage
6 17 of its actual value which percentage shall be equal to the
6 18 percentage determined by the director of revenue for
6 19 commercial property, industrial property, or property valued
6 20 by the department of revenue pursuant to chapters 428, 433,
6 21 437, and 438, whichever is lowest.

6 22 DIVISION III

6 23 PROPERTY TAX STUDY

6 24 Sec. 5. LEGISLATIVE PROPERTY TAX STUDY COMMITTEE.

6 25 1. A legislative property tax study committee is
6 26 established. The study committee shall conduct a
6 27 comprehensive review of property taxation in Iowa including
6 28 but not limited to the continued use of property taxes as a
6 29 major funding source for local governments and for local
6 30 school districts in Iowa, the classification and assessment of
6 31 property for property tax purposes and the impact of the tie
6 32 between residential and agricultural property assessments, the
6 33 level of consistency employed in classifying and assessing
6 34 property for property tax purposes, the various exemptions and
6 35 credits currently available to property taxpayers and the
7 1 impact on local government and state budgets and on other

7 2 taxpayers of providing those credits and exemptions, and the
7 3 use of property taxes as an economic development tool and the
7 4 impact on local and state government budgets and on other
7 5 taxpayers of such use. In its study, the committee shall
7 6 address the goals of property tax simplification and equity.

7 7 2. a. The committee shall be comprised of the following
7 8 voting members:

7 9 (1) Five members who are members of the senate, three of
7 10 whom shall be appointed by the majority leader of the senate
7 11 and two of whom shall be appointed by the minority leader of
7 12 the senate.

7 13 (2) Five members who are members of the house of
7 14 representatives, three of whom shall be appointed by the
7 15 speaker of the house of representatives and two of whom shall
7 16 be appointed by the minority leader of the house of
7 17 representatives.

7 18 b. The committee shall be comprised of the following
7 19 nonvoting members who shall be appointed by the majority
7 20 leader of the senate and the speaker of the house of
7 21 representatives in consultation with the minority leaders of
7 22 the senate and the house of representatives:

7 23 (1) One member from an association representing Iowa
7 24 counties.

7 25 (2) One member from an association representing Iowa
7 26 cities.

7 27 (3) One member from an association representing Iowa
7 28 school boards.

7 29 (4) One member from an association representing
7 30 agricultural property taxpayers.

7 31 (5) One member from an association representing Iowa
7 32 commercial property taxpayers.

7 33 (6) One member from an association representing Iowa
7 34 industrial taxpayers.

7 35 (7) One member representing residential taxpayers.

8 1 (8) One member from an association representing Iowa
8 2 telecommunications property taxpayers.

8 3 (9) Representatives of other interests as designated by
8 4 the legislative council.

8 5 c. The committee shall be comprised of the following
8 6 nonvoting members who shall be appointed by the governor:

8 7 (1) A representative employed by the department of
8 8 management.

8 9 (2) A representative employed by the department of
8 10 revenue.

8 11 (3) A representative employed by the department of
8 12 economic development.

8 13 3. The property tax study committee shall meet during the
8 14 2007 and 2008 legislative interims at the call of the
8 15 chairperson. The committee is authorized to hold as many
8 16 meetings as the committee deems necessary.

8 17 4. The property tax study committee may contract with one
8 18 or more tax consultants or experts familiar with the Iowa
8 19 property tax system. The legislative council, pursuant to its
8 20 authority in section 2.42, may allocate to the study committee
8 21 funding from moneys available to it in section 2.12 for the
8 22 purpose of contracting with the consultant or expert.

8 23 5. The property tax study committee shall submit a final
8 24 report to the general assembly on or before January 5, 2009.
8 25 The final report shall include but not be limited to findings,
8 26 analyses, and recommendations by the committee.

8 27 EXPLANATION

8 28 This bill makes changes relating to state and local budgets
8 29 and taxes.

8 30 Division I of the bill provides for an individual and
8 31 corporate income tax credit for a certain amount of commercial
8 32 property tax paid during the tax year. For a taxpayer to
8 33 qualify, the property tax shall have been paid on improved
8 34 commercial property, and the taxpayer owns less than \$300,000
8 35 of improved commercial property in the aggregate statewide.
9 1 The credit is equal to \$320. For corporations included in a
9 2 consolidated Iowa return, each corporation in the consolidated
9 3 return that paid commercial property tax can claim the maximum
9 4 credit. The credit amount is not allowed as a deduction in
9 5 computing Iowa taxable income. Any credit in excess of the
9 6 tax liability is refundable.

9 7 This credit is repealed effective January 1, 2012, for tax
9 8 years beginning on or after that date.

9 9 The division takes effect upon enactment and applies
9 10 retroactively to January 1, 2007, for tax years beginning on
9 11 or after that date.

9 12 Division II of the bill changes the property tax assessment

9 13 limitation percentage for commercial and industrial property
9 14 from 4 percent to 3 percent for assessment year 2008, 2
9 15 percent for assessment year 2009, and 1 percent for assessment
9 16 year 2010 and subsequent assessment years.
9 17 Division III of the bill establishes a legislative property
9 18 tax study committee to conduct a comprehensive review of
9 19 property taxation in Iowa. The committee shall be comprised
9 20 of legislative members and nonvoting members representing
9 21 certain interest groups and state departments. The division
9 22 authorizes the study committee to contract with one or more
9 23 tax consultants or experts familiar with the Iowa property tax
9 24 system. The study committee is to meet during the 2007 and
9 25 2008 legislative interims, and is to submit a final report to
9 26 the general assembly on or before January 5, 2009.
9 27 LSB 2704HV 82
9 28 sc:rj/es/88